June 25, 2025

Piramal Finance Limited (formerly Piramal Capital & Housing Finance Limited): Provisional [ICRA]AAA(SO) assigned to PTCs backed by used car loan receivables issued by Naman Trust PTC June 2025

Summary of rating action

Trust name	Instrument*	Current rated amount (Rs. crore)	Rating action
Naman Trust PTC June 2025	Series A1 PTCs	226.19	Provisional [ICRA]AAA(SO); assigned

**Instrument details are provided in Annexure I*

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful

Rationale

The pass-through certificates (PTCs) are backed by a pool of used car loan receivables originated by Piramal Finance Limited {PFL/Originator} with an aggregate principal outstanding of Rs. 251.33 crore (pool receivables of Rs. 326.84 crore). PFL would also act as the servicer of the transaction.

The provisional rating is based on the strength of the cash flows from the selected pool of contracts, the credit enhancement available in the structure as well as the integrity of the legal structure. The rating is subject to the fulfilment of all the conditions under the structure and ICRA's review of the documentation pertaining to the transaction.

Transaction structure

As per the transaction structure, the monthly cash flow schedule comprises the promised interest payout. The principal is expected to be paid on a monthly basis (100% of the pool principal billed) but is promised on the final maturity date. The residual cash flows from the pool, after meeting the promised and expected payouts, will be used for the prepayment of the Series A1 PTC principal. Further, the cash collateral (CC) can be utilised in case of a shortfall in any month for the payment of the promised interest payout to Series A1 PTCs and for the expected principal payout to Series A1 PTCs (up to 90% of the billed principal). Any prepayment in the pool would be used for the prepayment of the Series A1 PTC principal.

The credit enhancement available in the structure is in the form of (i) a CC of 7.50% of the initial pool principal, amounting to Rs. 18.85 crore, to be provided by the Originator, (ii) subordination of 10.00% of the initial pool principal for Series A1 PTCs, and (iii) the excess interest spread (EIS) of 19.57% of the initial pool principal for Series A1 PTCs.

Key rating drivers and their description

Credit strengths

Granular pool with available credit enhancement – The pool is granular, consisting of 5,739 contracts, with the top 10 contracts forming 0.74% of the pool principal, reducing the exposure to any single borrower. The credit enhancement available in the form of subordination, CC and EIS would absorb a part of the losses in the pool and provide support in meeting the Series A1 PTC payouts.

No overdue contracts in the pool as on the cut-off date – The pool has been filtered in such a manner that there were no overdue contracts as on the cut-off date. Further, none of the contracts in the pool have been delinquent since origination. In addition, the weighted average seasoning of the pool is ~9.5 months.

Healthy bureau score of borrowers – Around 84% of the borrowers have a CIBIL score of at least 725, which reflects their relatively better credit profile.

Adequate servicing capability of PFL – The company has adequate processes for servicing the loan accounts in the securitised pool. It has established systems for collections and recoveries across a wide geography.

Credit challenges

High geographical concentration – The pool has high geographical concentration with the top 3 states, viz. Karnataka, Maharashtra, and Telangana, contributing ~39% to the initial pool principal amount. Its performance would thus be exposed to any state-wide disruption that may occur due to natural calamities, political events, etc.

Risks associated with lending business – The pool's performance would remain exposed to macro-economic shocks, business disruptions and natural calamities that may impact the income-generating capability of the borrowers and their ability to make timely repayments of their loans. The pool is exposed to the inherent credit risk associated with the unsecured nature of the asset class. Moreover, recoveries from delinquent contracts tend to be lower.

Key rating assumptions

ICRA's cash flow modelling for rating securitisation transactions involves the simulation of potential losses, delinquencies and prepayments in the pool. The losses and prepayments are assumed to follow a log-normal distribution. The assumptions for the losses and the coefficient of variation are considered on the basis of the values observed from the analysis of the past performance of the Originator's loan portfolio as well as the characteristics of the specific pool being evaluated. The resulting collections from the pool, after incorporating the impact of the losses and prepayments, are accounted for in ICRA's cash flow model, in accordance with the cash flow waterfall of the transaction.

For the current pool, ICRA has estimated the shortfall in the pool principal collection during its tenure at 4.50% with certain variability around it. The average prepayment rate for the underlying pool is modelled in the range of 4.8% to 18% per annum. Various possible scenarios have been simulated at stressed loss levels and prepayment rates and the incidences of default to the investor as well as the extent of losses are measured after factoring in the credit enhancement to arrive at the final rating for the instrument.

Liquidity position: Superior

The liquidity for the PTC instrument is superior after factoring in the credit enhancement available to meet the promised payout to the investor. The total credit enhancement would be 7.25 times the estimated loss in the pool.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The sustained weak collection performance of the underlying pool (monthly collection efficiency <90%), leading to higher-than-expected delinquency levels and higher credit enhancement utilisation levels, would result in a rating downgrade. Weakening in the credit profile of the servicer could also exert pressure on the rating.

Analytical approach

The rating action is based on the analysis of the performance of PFL's used car loan portfolio till March 2025, the key characteristics and composition of the current pool, the performance expected over the balance tenure of the pool, and the credit enhancement cover available in the transaction.

Analytical approach	Comments
Applicable rating methodologies	Securitisation Transactions
Parent/Group support	Not applicable
Consolidation/Standalone	Not applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into a final rating upon the execution of:

1. Trust deed
2. Assignment agreement
3. Legal opinion
4. Trustee letter
5. Chartered Accountant's Know Your Customer (KYC) certificate
6. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Rating available at www.icra.in.

About the originator

The erstwhile Piramal Capital & Housing Finance Limited (PCHFL) was incorporated in February 2017 as a subsidiary of Piramal Finance Limited and received its housing finance licence from National Housing Bank (NHB) in September 2017. As per a scheme of amalgamation, Piramal Finance Limited and Piramal Capital Limited were merged with the erstwhile PCHFL, w.e.f. March 31, 2018, with PCHFL becoming a direct subsidiary of Piramal Enterprises Limited (PEL). PCHFL provides real estate lending, housing finance, corporate lending, and emerging corporate lending across sectors. It has 508 branches across 25 states. In January 2021, PCHFL emerged as the successful resolution applicant for Dewan Housing Finance Corporation Limited (DHFL) that was undergoing insolvency and bankruptcy proceedings.

As per the resolution plan approved by the National Company Law Tribunal (NCLT), DHFL's existing liabilities were discharged by PCHFL and a consideration of Rs. 34,250 crore (comprising upfront cash of Rs. 14,700 crore and issuance of debt instruments of Rs. 19,550 crore) was paid to DHFL's creditors. PCHFL was reverse merged with DHFL with effect from September 30, 2021, and the amalgamated entity was rechristened Piramal Capital & Housing Finance Limited.

On May 8, 2024, PEL announced that its board of directors (BoD) has approved a composite scheme of arrangement, whereby PEL would be reverse merged with its wholly-owned subsidiary, PCHFL. The merged entity would be renamed Piramal Finance Limited (PFL). Further, PCHFL's BoD approved the conversion of the entity to a non-banking financial company - investment and credit company (NBFC-ICC) from a housing finance company (HFC). Accordingly, PCHFL has applied to the Reserve Bank of India (RBI) for an NBFC-ICC licence and will continue to operate as an HFC in the interim. The reverse merger would take place after PCHFL receives the NBFC-ICC licence and its name was changed to Piramal Finance Limited (PFL) with effect from March 22, 2025.

Key financial indicators

PFL	FY2023	FY2024	FY2025
As per	Ind-AS	Ind-AS	Ind-AS
Total income	6,650	6,712	8,414
Profit after tax	-7,425	-1,911	52
Assets under management	50,427	53,696	62,304
Gross non-performing assets (NPA)	3.5%	2.4%	2.8%
Net NPA	1.9%	1.0%	2.0%
Capital-to-risk weighted assets ratio	26.8%	21.6%	21.5%

Source: PFL and ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust name	Current rating (FY2026)				Chronology of rating history for the past 3 years		
		Instrument	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
					June 25, 2025	-	-	-
1	**Naman Trust PTC June 2025**	Series A1 PTCs	226.19	226.19	**Provisional [ICRA]AAA(SO)**	-	-	-

Complexity level of the rated instrument

Instrument	Complexity indicator
Series A1 PTCs	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

Trust name	Instrument	Date of issuance/ Sanction	Coupon rate (p.a.p.m.)*	Maturity date	Amount rated (Rs. crore)	Current rating
Naman Trust PTC June 2025	Series A1 PTCs	June 30, 2025	8.80%	May 15, 2030	226.19	Provisional [ICRA]AAA(SO)

*Source: Company; *Fixed*

Annexure II: List of entities considered for consolidated analysis

Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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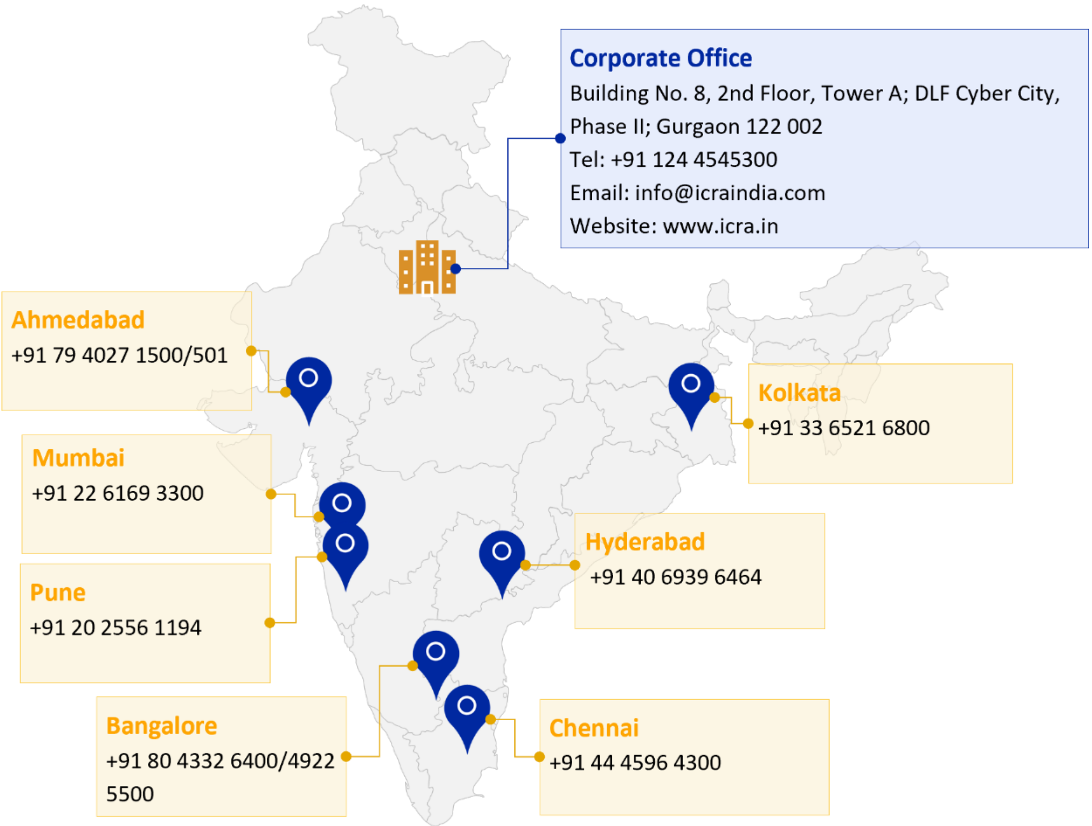

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